What a pleasure it is to be here. I’m cautioned, however, by a remark that Robert Kennedy once made to an audience: “I have a speech which it is my responsibility to give, and you have a responsibility to listen to it. If you finish before I do, however, please let me know.” Same rule this afternoon.

I’m struck at the different forms and standards of leadership arcing across each of this meeting’s conversations.

A tenacious, visionary public sector, as exemplified by Mayor Daley. The compelling research and the enlightened private-sector leadership structures we discussed this morning. The bold, inventive philanthropic activities of the Boston Foundation under Paul Grogan’s leadership.

Placed side by side, these ideas and perspectives present an optimistic picture of the different social sectors firing on all cylinders to address urban America’s most intractable issues. As Paul so powerfully suggested, it’s an image of cities pivoting around an alternate orientation, one far different from received memories and long-established operating principles.

But, if truth be told, it is rare to find those sectors in such harmonious alignment in real time in actual places. That is particularly true in cities like mine – Detroit – where there has been an evisceration of public-sector leadership, a flight of private-sector investment and an erosion of nonprofit-sector resilience.

For those cities – and we can add Cleveland, Philadelphia, St. Louis, Pittsburgh, Baltimore and others to the
list – the words of one of the great philosophers of the 20th century seem more apt: “More than any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness. The other, to total extinction. Let us pray we have the wisdom to choose correctly.”

Woody Allen couldn’t know when he said that in 1986 how excruciatingly applicable it would be today.

Credit markets careening between panic and ill-considered and inadequate short-term fixes. Entire neighborhoods, painstakingly built up layer by layer over decades through community sweat and treasure, devastated by the mortgage crisis’ cancer of greed and overreach. An ozone layer decomposing, glaciers retreating and hurricanes intensifying. Accelerating income polarization jeopardizing the basic tenets of opportunity at the heart of this nation’s democratic heritage. Health care erratically and wastefully delivered and ostensibly beyond the bounds of meaningful reform.

Mayor Daley’s inspiring remarks last night reinforced that, for many of us, Tuesday’s results have dramatically injected a fresh dose of hope into our work. At the end of the day, however, those results simply raise the stakes. Local action is more important than ever before if we’re to escape the debilitating vertigo induced by these problems ricocheting off one another and hurtling us into ever-deeper crisis. In the Detroits and Baltimores, to be sure, but also in even our most prosperous cities. Each is looking for ways to reinstate a scale and diversity of investment and an appetite for creative action adequate to the severity of the challenges it faces.

I’ve spent the last two years trying to rethink at the most fundamental level whether The Kresge Foundation can contribute in some meaningful way to the question of how cities can succeed. I’ve come to the view that private philanthropy, particularly those rooted in a place, can in fact make that kind of contribution.

**Embracing Strategic Philanthropy**

That proposition doesn’t even get off the ground, however, unless philanthropy gets clearer about the trade-offs between behaving charitably and acting strategically.

About a year ago, our staff at Kresge spent a day discussing why there has been such partial, halting progress in the rebuilding of New Orleans despite the most sophisticated foundations in the country flooding the system with large sums of money and quotients of talent. There were lots of plausible answers. The public sector’s utter failure to structure timely, appropriate and effective relief in the storm’s immediate
aftermath, dramatically delaying the essential building blocks of reform from being set in place. The failure of vision and courage among political leaders in facing down the role of race and poverty. The overwhelming complexity of creating community-support systems in the absence of a robust pre-existing nonprofit infrastructure. And many more.

Yogi Berra once observed, “Even Napoleon had his Watergate.” Now I’m not exactly sure what that means, but I think it has some bearing on this issue.

That’s because the question nobody seems inclined to ask is whether philanthropy’s methods are well suited to a task of such overwhelming complexity. It’s a question of role definition. Not just in New Orleans, but in other struggling cities. Do we work at the margins or at the heart of the matter?

Every day, in communities around the nation, philanthropy helps nonprofits improve the daily lives of millions of individuals. A noble and worthwhile calling. But there is the nagging sense that in the process we will not have found ways to address the underlying problems that perpetuate those needs into the future. Unless we can identify and influence long-term leverage points capable of moving intricately interrelated public, private and civic systems, we will make no contribution to breaking calcified patterns of disinvestment, inequality and injustice.\(^2\) We will not, in a word, make any enduring improvement in our citizens’ day-to-day quality of life and their long-term trajectories of opportunity.

That is not to deny the immeasurable value of charitable giving from as many sources as possible. But it is to say that one part of the philanthropic ecosystem – large, privately endowed foundations – needs to re-orient more proactively toward a long-term horizon line. Let me suggest four ways that can happen.

**I. Establishing the Frame**

The first way is by contributing to the “vision” thing. My apologies for such a hackneyed phrase. But a compelling civic frame is distressingly absent in so many disinvested communities – one that identifies a community’s tangible aspirations for its future, places bets on the strategies for getting there, prioritizes and sequences the work and lays out a path for marshaling the necessary resources.

This task has historically been the province of the public sector. It should, theoretically, be part of a national urban strategy. But, at least until this week, that has been an entirely theoretical proposition in the face of federal policymakers’ predisposition to minimize risk, maximize political credit and marginalize informed
decision-making.

The appetite and capacity for setting the frame is much higher at the municipal level – think Mayor Booker’s remarkable work in Newark, Mayor Hickenlooper’s in Denver, Mayor Nutter’s in Philadelphia, Mayor Rybak’s in Minneapolis and many more. But the crushing constraints on local decision-makers make the task extraordinarily difficult.

That reality constitutes an open invitation for philanthropy. It’s so easy to focus on philanthropy as a source of easy money that we sometimes forget the enormous privilege accorded private foundations to take a holistic, long-term view – to leverage intellectual power capable of emboldening those adept at doing so to explore the nature of linkages among sectors, among levels of government and among policy issues.

Foundations can’t substitute for the government. It’s not just a matter of inadequate financial resources; we simply cannot do without an able, committed public sector that forms equitable and reasoned public policy, that plans and manages competently and that sets public priorities through informed public spending. But philanthropy can reset the table to make it easier for government to re-engage in these essential activities.

Philanthropy can create neutral and safe space for the tough give-and-take required to agree on direction. Philanthropy can bridge into all the sectors – business, public, nonprofit, academic – to ensure appropriate breadth of perspective and degree of buy-in. Philanthropy can ensure there is a sophisticated, data-driven architecture of information and analysis undergirding the process. Philanthropy can provide the political cover for a city to muster the imagination and intellectual energy necessary to assail prevailing assumptions and embedded inertias.

But as Winston Churchill remarked, “However beautiful the strategy, you should occasionally look at the results.” So let me describe how this played out in one city.

Responding to the business community’s concerns four or five years ago that the Twin Cities was becoming complacent about its ability to compete with other metropolitan regions, the McKnight Foundation brought together the CEOs of the region’s three dozen largest employers, together with the governor, the mayors of Minneapolis and St. Paul and the president of the University of Minnesota to create the Itasca Project, an effort to forge a business-led civic regional agenda.
To make a long story short, Itasca gained initial traction by focusing on six priorities that business leaders had identified over the course of a year’s worth of meetings with top McKinsey officials. The work was driven by three dynamics structured by McKnight:

- First, McKnight convened and McKinsey staffed the quarterly meetings, providing a safe, neutral environment and supporting the discussions with the kind of sophisticated empirical background materials corporate leadership expects;
- Second, a CEO led each of the six initiatives, but McKnight arranged for the region’s top nonprofit leadership to provide, in conjunction with McKinsey, the staffing for the working groups, giving rise to a new-found trust and respect between the private and nonprofit sectors; and
- Third, McKnight underwrote the costs – studies from Brookings, McKinsey’s time, loaned executive time from the nonprofits, public relations costs and others.

The impact has been dramatic. Itasca quickly ironed out a new working relationship between the University of Minnesota and the private sector to share research efforts. Its members helped create a multiyear, multimillion-dollar commitment to improve the state’s transportation system and then convinced the Minnesota Legislature to pass that plan and override the governor’s veto of it. It launched a campaign to call public and business attention to the growing economic disparities between the region’s majority white population and its communities of color. It created a privately funded statewide effort to advance early childhood development. And, perhaps most importantly, it put influential members of the business community unambiguously on record in support of a regional business plan tied directly to broad-based civic dialogue among all the sectors.

II. Aligning the Effort

It’s one thing to have a framework; it’s quite another to operationalize it. Itasca is one way of doing that. But Minneapolis may well be a very different case from St. Louis or Detroit.

In an environment in which the private sector has been, and increasingly will be, hunkered down and in which local elected officials are frenetically fighting rear-guard actions against foreclosures and precipitous revenue drops, it’s hard to imagine breathing life into even the most thoughtfully imagined plans to promote urban health and stability. There’s lots of activity within cities, but it’s episodic, scattershot and ultimately lacking adequate critical mass.

That adds up not only to an inability to plan the work, but also to work the plan. There just isn’t sufficient
implementation capacity that is equipped with the degree of intentionality and follow-through required under the circumstances.

The threads of key activity simply have to be pulled together and aligned. To avoid wasteful reinvention. To force people working toward the same end to actually talk about how their work can be mutually reinforcing. To open the possibility that the public sector’s resources can effectively be supplemented by the activities of other sectors.

So a second way philanthropy can make a contribution to urban regeneration is by helping create the preconditions for alignment – horizontally, among a wide spectrum of community players, and vertically, between neighborhood, city, regional and state actors.

It starts with the money, I suppose. At root, we in philanthropy make grants, and I never cease to be amazed at just how powerfully money on the table concentrates people’s attention.

But all that money may be less important than putting our perceived neutrality on the line to gather essential players to sing off the same song sheet. People usually will come if a foundation calls a meeting – even mayors, other foundations and business leaders. Or at least they’ll come once. The trick is finding ways for them to come again and again and to make significant, tangible progress each time they do. So it’s less calling a meeting than it is developing working hypotheses about what needs to be done and brokering honest conversations that use those hypotheses to build a critical path of action.

Just how that might be done has been illustrated by the work of the Cleveland Foundation in giving shape to an economic development agenda shared by the research community, the private sector, city and state government and the University Circle consortium.

Within months of his moving to Cleveland three years ago to become president of the Cleveland Foundation, Ronn Richard embarked on an aggressive course of bringing institutional partners together in common purpose on a number of fronts.

First, the foundation positioned itself as the fulcrum in state and local conversations about renewable energy. With Case Western Reserve University, the county, the city and the Port Authority, it is taking steps to form the Great Lakes Wind Energy Center, which will develop an offshore wind farm in Lake Erie and a wind energy research center at the university. Listen to Ronn’s rather timid aspiration:
We are working to develop a specific advanced energy industry. Not a company, but an entire
dustry. Although advanced energy opportunities are being pursued aggressively worldwide, no
single city, region or country has much of a head start. I believe that Cleveland should aim to
become one of the world’s leading hubs of activity in advanced energy ... an industrial cluster
employing tens of thousands of citizens, and generating billions of dollars in economic activity.3

Indeed.

Second, with the Gund Foundation, the Cleveland Foundation attracted nearly 100 partners to the Fund for
Our Economic Future, which has pooled money to foster innovative approaches to making the Northeast
Ohio economy globally competitive.

Third, it has pushed the Greater University Circle institutions – the Cleveland Clinic, the University
Hospitals, Case Western and the circle’s multiple arts and cultural organizations – to stimulate investment in
the circle and in its five adjacent neighborhoods. The group has structured forgivable loans to employees of
local nonprofits. It is developing a mixed-use University Arts and Retail district. It has created a local
products and services purchasing program.

And fourth, the foundation has joined with Living Cities to create a machinery of cooperation among the
mayor’s office, the governor’s office and the Legislature that permits a more coordinated approach to
changes in policy and regulation that can assist in Cleveland’s revival.

Many of these initiatives were underway or were being contemplated well before the Cleveland Foundation
entered the conversation. But the foundation’s engagement enabled a level of alignment within and among
them that has dramatically increased their collective impact.

III. Aggregating Risk Capital

Let me turn to a third way in which philanthropy can make a difference in the life of cities: aggregating
pools of high-risk capital.

Recent phenomena such as mission investing, triple bottom lines and venture philanthropy have blurred the
lines between philanthropic and corporate capital. When the rhetoric is stripped away, however,
philanthropy is distinguished by its willingness and ability to invest in circumstances in which private
markets will not. Philanthropy is serving as society’s social venture capital.

Part of that role is to create a different empirical base for investment. Traditional capital will not move to places in which the corporate sector has concluded viable purchasing power doesn’t exist – for example, impoverished neighborhoods. But philanthropy has underwritten efforts, such as Social Compact, that compile consumer and market data in ways that show, in fact, that robust spending and viable markets are possible in those very places the private market has neglected.

A second part of philanthropy’s role is to support the kind of nonprofit safety net activity that is required when the macro forces of market movements leave individuals unattended, at the economic margins or politically isolated. Philanthropy cannot reverse-engineer market fluctuations, but it can support individuals and organizations caught in the wake and work to improve their prospects over time.

A third part of philanthropy’s role is to aggregate large pools of high-risk capital in ways that draw in other investors. This is not simply taking the modest risk entailed in individual grants, but instead placing larger wagers that promise yields commensurate with the magnitude and import of challenges cities face.

This third aspect has been made infinitely more complex by the credit collapse. It is very difficult to stimulate private investment when markets have been so fundamentally disrupted. If banks aren’t lending, deals aren’t going to happen. Similarly, it is not clear what role tax credits will play in the near-term – whether low-income, new markets, historic or others – when the likely purchasers of those credits aren’t making any money.

Foundations aren’t banks, however, and should have the courage and creativity to move dollars into at least part of the vacuum. The efforts of the Annie E. Casey Foundation in helping rebuild East Baltimore are illustrative.

Six or seven years ago, Johns Hopkins University announced its intention to create a new bio-industrial complex in East Baltimore, an area of 70-some blocks that is home to some of the nation’s most intense concentrations of poverty, physical abandonment, infrastructure deterioration and crime. Hopkins invited Casey to participate. Doug Nelson, Casey’s president, described his reaction this way:

For lots of reasons, I was profoundly skeptical. The track record of large-scale urban renewal in this country isn’t an encouraging one. Most such reinvestment efforts have just plain failed – the result of
providing too little, too late. ... But if this whole effort could be aimed at transforming the life circumstances of these long-struggling people – and not just the landscape of the place – then we just might have a challenge worth embracing and big risks worth taking.\textsuperscript{4}

Working painstakingly in partnership with Hopkins, the mayor and the local community development association, Casey constructed strategies to create a dramatically different neighborhood by leveraging the university’s plans. Replacing dilapidated row houses with mixed-income housing for both residents who were relocated and new buyers and renters. Structuring job training and placement that prepared neighborhood residents for work in the construction, health care and service sectors related to the new complex. Offering a wide spectrum of supports that would help make the neighborhood a safe and supportive environment for seniors and for families and children.

Very, very expensive stuff. Doug needed to forge what he calls “a compact of commitment” predicated on Casey’s investments making it possible and desirable for others to invest.

Casey had to demonstrate their willingness to take risk. They did that by putting hard grant and program-related-investment dollars into the project.

They had to buy down the risk of others. They did that by guaranteeing a $50 million loan from Bank of America.

And they had to spread the risk. They did that by convincing the city to issue some $50 million of municipal bonds.

But even with this first 100-plus-million dollars secured, they needed another $37 million. The only way they could get it was to buy private placement bonds from the city. That, in turn, provided a vehicle for drawing in a number of local foundations and families interested in mission-related investment. They hit their target.

Casey’s actions weren’t executed in today’s environment. But they are nevertheless a powerful reminder that philanthropically driven capital, early, rapidly and strategically assembled, can create a tipping point – generating possibilities of meaningful scale.
IV. Bridging Between Low-Income Communities and Regional Economic Prosperity

So let me turn to the fourth role philanthropy can play in strengthening cities: trying to identify bridges between low-income communities and regional economic opportunity.

The talent dividend discussion this morning underscored that the knowledge-driven economy is, without question, the crucial gateway to 21st-century competitiveness. But philanthropy has the institutional obligation to bring to the party the question of who will participate in that economy and under what terms. A variation on the opportunity dividend, if you will.

Even before the economic dislocations of the last year, more than 37 million Americans were living below the official poverty threshold of $20,000 a year for a family of four. That’s about 12 percent of this country’s population. And there are some 90 million working poor – those making less than $40,000 a year. That’s one-third of all Americans. The effects are not just felt in the here and now, but instead become long-term, intractable impediments to a full-opportunity society, corroding our broader civic culture.

The experiences we are having in Detroit with the New Economy Initiative suggest just how difficult it is to countermand these realities – to find pathways between communities of poverty and the economic mainstream.

Last year, five Detroit foundations – Ford, Kellogg, Mott, Knight and Kresge – created a $100 million fund designed to make some contribution to the recalibration of the Southeast Michigan economy. A very tall order. But an interesting proposition: Philanthropic players aligning not only their grantmaking capacity, but their institutional knowledge and national networks, to search for untested solutions to one of the truly wicked problems of contemporary America.

It has been plenty hard for the initiative to figure out what a re-imagined economy would look like. We’ve explored strengthening the venture-capital environment, promoting a geographically focused emphasis on creative activity, underwriting minority entrepreneurs, jump-starting a green jobs initiative and other compelling ideas.

But it has been equally, perhaps even more, difficult to figure out how to interlace considerations of equity into the calculus. I would submit that the New Economy Initiative will fall short of its charge if it fails to do that. Detroit will not find its way to again becoming a great American city unless we “find a way to reverse
the decline, decay and despair of those neighborhoods that have become the breeding ground for much of
[Detroit’s] human hardship and failure.”

Indeed, this is a challenge facing every large American city.

So what’s to be done?

Private foundations have been distinguished by their commitment to support chronically undercapitalized
organizations that serve as our society’s moral thermostats – organizations that activate in the presence of
suffering, injustice or callous behavior. Going forward, that commitment has to remain a given.
But let me suggest three additional activities that might hold promise.

First, foundations can serve as intermediaries for hard-edged conversations with a community’s anchoring
institutions – universities, hospitals, cultural organizations and many others – about contributing more
meaningfully to their surrounding communities.

I’ve already talked about how Ronn Richard has done that in Cleveland and Doug Nelson has done it in
Baltimore. We also talked this morning about Nancy Zimpher’s remarkable efforts at the University of
Cincinnati. A number of other people in this room have similar stories.

With their powerful attachments to place, anchoring institutions have a significant self-interest in making
sure their host environments enhance their investments rather than jeopardize them. But that too often takes
the form of an insularity and paternalism unchecked by any significant counterweight of community input.

Foundations can help balance the scales by opening, underwriting and shepherding conversations about
improving the pipeline of mutual benefit. Hiring from the community. Purchasing from local businesses.
Contributing to improvements in local elementary and secondary schools. Providing coordinated service-
learning programs. Encouraging faculty, staff and student volunteerism. Drawing other businesses into
community partnerships. And many more topics.

The second step philanthropy could take is to take a page directly from Carol Coletta’s playbook and seed
and spread new models for developing urban leadership.
It’s hard to quibble with Carol’s premise that in order to attract talent, you have to grab it when it’s mobile. But there is a gold mine of talent residing in America’s urban neighborhoods we need to grab as well.

Carol has argued forcefully that we need to go to school on the ambitious models of activating leadership that seemed so powerfully to drive the Obama campaign. The argument is that just as Obama.com made it possible for unprecedented numbers of people to use technology to act on behalf of the president-elect’s campaign, we need to explore how technology can help supplement traditional leadership sources engaged in urban renewal.

There are some promising first steps.

• The Knight Foundation is underwriting novel uses of technology as a community-organizing tool in one of Detroit’s most impoverished neighborhoods.
• The Boston Community Foundation’s Indicators Project permitted citizens to use a dozen benchmarks of community health as a springboard to become engaged in municipal policy.
• New media such as Soapbox in Cincinnati, Pop City in Pittsburgh and Model D in Detroit have introduced a new, young population to the pulse of these cities.

These are important toe-in-the-water efforts. But we stand on the edge of something profoundly different. It is not just a matter of finding more creative ways of generating ideas, but also a question of creating training wheels for a new generation of leadership, a generation unafraid to confront, annoy and upend. If social venture capital ever had a place, this would be it.

The third way philanthropy can help low-income residents connect to the new economy would be to explore ways to tie the renewable-energy economy to low-income people.

This is the talent, green and opportunity dividends all wrapped into one. Tom Friedman argues in his new book that energy technology will power the new economy, with clean power, renewable energy and clean water becoming the next great global industries. Quoting the futurist Jeff Wacker, Friedman observes that “this future is already here. The problem is that it’s just not widely distributed. And we need to make the future widely distributed.”

Precisely.
There is no guarantee that the green economy will be a fair economy – indeed, its current pacing and calibration suggest that it will be anything but that. Philanthropy doesn’t have to build the green wave – it is coming without us. But we do have a significant role in ensuring that its benefits are shared equitably.¹⁰

How about making sure that when we begin to resurrect our urban neighborhoods from the devastation of foreclosures, we do it, as Doug Foye suggested, with a low-income labor force pursuing green outcomes – weatherization, energy-efficient retrofitting, solar installations, decentralized distribution of energy sources and countless other measures.

How about anticipating the inevitable tidal wave of state funding cutbacks that will wash over community colleges by helping them retool their curricula, equipment and training to meet the explosive demands of the green marketplace.

How about replicating Mayor Corey Booker’s Newark Green Summit in a dozen older industrial cities over the next year, working with the Apollo Alliance, the Green Growth Alliance and others to map out urban economic development strategies that accelerate and scale up green-collar jobs for residents otherwise closed out of meaningful economic opportunity.¹¹

**Conclusion**

So all of this seems simple enough. Philanthropy acting strategically to help establish a municipal frame, to align civic actors, to aggregate risk capital and to connect low-income people to the mainstream economy.

The problem is, of course, that this behavior is not particularly in great evidence. There are some good reasons for this. As Adlai Stevenson once observed, “It’s hard to lead a cavalry charge if you think you look funny on a horse.”

Foundations are thin on legitimacy – unlike government, we cannot command a public solidarity for the actions we espouse. We’re insular and overly narrowly focused – we have as hard a time as the next guy letting go of our silo-like approaches. We’re relatively inexperienced and clumsy in managing large capital flows. And we’re loath to give up our mantle of neutrality, preferring to maintain a kind of objective distance that avoids stirring up controversies that might force us to spend whatever political capital we possess.

But these are just obstacles, not permanent impairments. In my view, the future of philanthropy rides on our
willingness to overcome them and aspire to a bolder role within our communities. In times like these, there are no places for us to hide. Our communities shouldn’t let us, and we shouldn’t want to. We don’t really look all that funny on a horse.

The road is there to be taken. If enough of us take it, it might actually make a difference.

It has been a pleasure. Thank you.

5 Id. Nelson was describing East Baltimore – the quotation seems equally true of Detroit.
8 Each of these strategies was articulated in the University of Pennsylvania’s Strategic Plan, “Agenda for Excellence, June, 1997, s-7”, reprinted in id., p. 35. Penn’s work, pioneered by President Judy Rodin, remains the gold standard.
9 Interview with Thomas L. Friedman, “Hot, Flat, and Crowded,” in *Sky Magazine*, October 2008, p. 44.
10 These are ideas developed more fully by Carl Pope, executive director of the Sierra Club, and comments he made to the October 3, 2008, meeting of Living Cities in San Francisco.
11 See Keith Schneider, “Newark’s Green Future Summit,” September 11, 2008: http://www.bluegreenalliance.org/apollo/signature-stories/newarks-green-future-summit. The three objectives of the summit were:
1. Building clean and green market opportunities, like those that attracted Green Depot, to support
entrepreneurs and existing industries. Newark also is intent on greening its port, one of the largest in the United States. The idea is to more firmly base economic development in green strategies that grow new and existing businesses, and create and retain well-paying career-track jobs.


3. Create green open space that connects park development with urban forestry jobs and entrepreneurship opportunities. Newark can integrate green spaces into infrastructure planning, from managing stormwater to reducing urban heat; promoting urban farming and community gardening; and linking green spaces with programs that promote personal fitness and a connection to nature.